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CURRENT INTELLIGENCE WEEKLY SUMMARY

30 December 1959

THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

EAST-WEST RELATIONS Page 1

Khrushchev's cordial and prompt acceptance on 25 December of the Western proposal for a four-power summit meeting in Paris carefully refrained from injecting any controversial issues. In an effort to avoid any impression that Khrushchev's suggestion of two alternate dates for the meeting was intended as a form of pressure on the Western governments, a Soviet Foreign Ministry spokesman explained that the 27 April date proposed by the West would conflict with Moscow's May Day celebration, and Moscow immediately accepted the subsequent Western suggestion of 16 May. Khrushchev's specific reference in his 25 December letter to a four-power meeting suggests that he does not intend to press for full participation by the two German states. This formula, however, would not preclude subsequent Soviet proposals for some form of German participation in discussions of the German and Berlin questions.

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IRAQI-IRANIAN RELATIONS Page 4

Although mutual recriminations and minor shows of force continue to embitter relations between Iraq and Iran, spokesmen for both governments have taken steps to calm the irritations aroused because of the Shatt al Arab dispute. Iran has cautioned its military leaders against taking any action that could be regarded as provocative. An attempt may soon be made to settle the issue by direct negotiations or by submitting the case to an international tribunal. There remains, however, a danger of local military incidents which could further arouse nationalistic emotions on both sides.

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THE POLITICAL CRISIS IN LAOS Page 6

The political conflict between Premier Phoui and the young reformist Committee for Defense of National Interests (CDNI) continues unresolved. While the likelihood of a coup attempt against Phoui is receding, the premier remains in a difficult position. He will probably have to accede to the position of the King and the CDNI that the National Assembly no longer exists and be forced to organize a transitional government including the CDNI.

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PART II**NOTES AND COMMENTS**

SINO-INDONESIAN RELATIONS Page 1

A period of negotiation may be pending in the Sino-Indonesian disputes arising from Djakarta's decree banning alien retail trade in rural areas. Indonesian Foreign Minister Subandrio suggested last week that Chinese Foreign Minister Chen Yi visit Indonesia "if circumstances permit." Subsequently, Chen Yi proposed to Subandrio the prompt exchange of ratification instruments of the 1955 Sino-Indonesian citizenship treaty and the establishment of a joint committee in Djakarta to implement the treaty. Indonesia is reported planning further forced evacuations of Chinese in rural areas, and this could provoke renewed friction.

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ELECTION PROSPECTS IN INDIA'S KERALA STATE Page 1

The working agreements achieved by the non-Communist parties in India's Kerala State seem to give them a considerable preponderance of strength over the Communists, as campaigning for the 1 February state elections gets under way. The "United Democratic Front" formed by the anti-Communist parties should deny the Communists their usual opportunity to win a disproportionate number of assembly seats by splitting the non-Communist vote. However, communal antagonisms and personal rivalries among the non-Communist forces could still narrow their electoral margin and almost certainly would complicate efforts to form an effective coalition government following the elections.

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AFGHANISTAN PREPARES FOR SECOND FIVE-YEAR PLAN Page 2

The Afghan Government, apparently recognizing that its development programs have suffered from haphazard planning, expects to employ about 60 foreign advisers from the Soviet bloc and the free world to strengthen the Ministry of Planning as it prepares the Second Five-Year Plan (1961-1966). The government probably will try to expand its control over the nation's economy, neglecting or suppressing private enterprise. The USSR can be expected to cooperate fully with Afghanistan's planning efforts in order to increase its influence there.

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SOVIET PARTY MEETING ACCOMPLISHES LITTLE Page 4

The Soviet party central committee, which met in Moscow from 22 to 26 December to consider agricultural issues, announced few results in the way of decision-making, even though it had been scheduled long in advance and various

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PART II (continued)

agricultural problems require solution. The major speech by Khrushchev caustically criticized presidium member Nikolay Belyayev's poor management of the Kazakhstan harvest and barely concealed his disappointment with this year's agricultural performance in general. He advanced some proposals for increasing output but did not come up with any major innovations; a go-slow policy toward forming collective farm unions and urbanizing the countryside was advocated. According to one report, the committee held a special closed session on 26 December, and rumors were current in Moscow that important developments in Sino-Soviet relations were being "explained." [redacted]

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NEW SOVIET ARMORED DIVISION Page 5

A new type of armored division designated the "heavy tank shock division" is believed to have been organized in the Soviet Army. With some 6,500 personnel, the division includes 210 heavy tanks and 93 assault guns, as well as armored reconnaissance vehicles and antiaircraft weapons. Among its various possible missions would be supporting attacks by standard tank divisions, counterattacking enemy forces which might reach the Soviet rear area, and rapid crossing of areas contaminated by radioactivity.

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THE BULGARIAN ECONOMY IN 1959 Page 7

The Bulgarian economy made substantial progress in 1959, while falling short of the impracticable "leap forward" goals proclaimed by the party. A party announcement, which compared the year's achievements favorably to original targets under the 1958-1962 plan, indicates that the increase in national income was 10 to 15 percent; the value of agricultural production rose 26 percent; unemployment was sharply reduced; and industrial output almost reached the 1959 "leap" goal. While the "leap forward" slogan appears to have been shelved, the announcement committed Bulgaria to further rapid economic development in 1960. [redacted]

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BLOC ACTIVITY IN THE WORLD RUBBER MARKET Page 8

The Soviet Union continues to buy rubber in Southeast Asia at the increased rate noted early last year, but because of reduced Chinese Communist activity in Asian rubber markets, total bloc rubber purchases in 1959 apparently will not reach 1958's record level of 450,000 tons. The USSR has made heavy purchases from Malaya, replacing some of the rubber normally bought through China and through West European middlemen. Bloc buying continues to

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PART II (continued)

25X1 be switched from country to country in response to the prevailing political climate and the needs of the bloc's economic program in underdeveloped countries. [redacted]

TUNISIA Page 9

A more conciliatory tone in the speech of Tunisian President Bourguiba on 23 December may indicate a moderation in the pace of his government's program to sequester foreign-owned properties, and thus a more propitious atmosphere for forthcoming negotiations of outstanding Tunisian-French problems. Bourguiba apparently was impressed by the tactics of the newly arrived French ambassador, who stated that Paris now wanted to reduce the size of the French colony in Tunisia. A French official in Tunis, however, attributes the "new" Tunisian approach to the Eisenhower-Murphy conversations with Bourguiba. [redacted]

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POLITICAL TRENDS IN THE BELGIAN CONGO Page 10

Several leading African nationalist groups in the Belgian Congo have joined in a demand that Belgium establish a Congolese government with the prerogatives of an independent state following legislative elections anticipated in March. Such a demand may force Brussels to accelerate further its four-year program for the Congo's independence despite growing political instability and tribal disorders.

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CARIBBEAN TENSIONS CONTINUE Page 11

The Castro regime is stimulating class antagonisms in Cuba and is attempting to strengthen its domestic position by repeatedly warning the public of the danger of imminent invasions by counterrevolutionaries. Cuba has given moral support, and in some instances material aid, to opposition groups in Nicaragua, Guatemala, Panama, and the Dominican Republic and to strikers in Costa Rica.

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DEVELOPMENTS IN BRITISH GUIANA Page 12

Cheddi Jagan, Communist leader of the government of partially self-governing British Guiana, is seeking closer economic relations between the colony and the Soviet bloc in the form of a Soviet loan and Hungarian aid in building a glass plant. Constitutional talks in London in February will probably bring greater autonomy and an increase in Jagan's power, even though London is determined to retain some control. Jagan in general has been cooperating with

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25X1 London, but a breakdown in the talks or an impasse over Soviet aid could cause him to demand early elections to help consolidate his political predominance. [redacted]

ANTI-SEMITIC ACTIVITY IN WEST GERMANY Page 14

The recent defacing of a synagogue and an anti-Nazi memorial in Cologne by two members of the neo-Nazi German Reich party is the latest in a series of minor outbreaks of Nazi-like activity in West Germany. Although the party immediately expelled the two accused men and dissolved its branch in Cologne, the incidents may be used as an excuse to ban the party in all of the Federal Republic or in individual states. [redacted]

PART III**PATTERNS AND PERSPECTIVES**

COMMUNIST BLOC ECONOMIC ACTIVITY IN LATIN AMERICA Page 1

The Soviet bloc since early 1959 has been including the major Latin American countries in its long-range program for improving economic relations with underdeveloped countries. The bloc effort in the past had centered largely on exploitation of targets of opportunity, but there now are indications that a long-term effort is under way to take greater advantage of economic and political instability in Latin America. Recent activities include strategically timed sugar purchases from Cuba; Mikoyan's visit to Mexico to open the Soviet exhibition, which also is to be shown in Havana; the conclusion of a Soviet-Brazilian three-year trade pact; and a proposal for a more attractive oil-wool exchange with Uruguay.

25X1 [redacted] BUSINESS ADAPTATION TO THE EUROPEAN COMMON MARKET Page 6

Even in advance of anticipated major changes in the volume and pattern of intra-European trade, the European Common Market is having a profound impact on Europe's economy. The bigger community enterprises are actively preparing for participation in a larger market, there is a strong trend toward rationalization and concentration of industry, and foreign investments have increased sharply. While some of these developments will cause difficulties--the cartel problem is particularly pressing--European industry appears to have acquired a vested interest in the Common Market's success. [redacted]

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PART III (continued)

IRAQ'S POLITICAL PARTIES Page 10

Iraqi partisan politics, banned since the 1958 revolution, are scheduled to resume openly after 6 January as a part of the preparations for election of a new National Assembly. A year and a half of semiclandestine political operation and agitation has left the Communist party in the strongest position in terms of organization and discipline. The non-Communist left-wing National Democratic party is developing strength, however, among the peasants in the countryside. The ultimate role of the army, which can be the most important element of the Iraqi political situation, is still uncertain, and all non-Communist parties seem likely to concentrate on securing military support as well as on breaking the Communists' near-monopoly of public information media. If partisan strife becomes severe, more may be heard of a nonparty "movement" headed by Prime Minister Qasim himself.

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Khrushchev's cordial and prompt acceptance on 25 December of the Western proposal for a four-power summit meeting in Paris carefully refrained from injecting any controversial issues. In an effort to avoid any impression that Khrushchev's suggestion of two alternate dates for the meeting was intended as a form of pressure on the Western governments, a Soviet Foreign Ministry spokesman explained that the 27 April date proposed by the West would conflict with Moscow's May Day celebration, and Khrushchev in a letter on 30 December immediately accepted the subsequent Western suggestion of 16 May.

In his 25 December reply to the three Western leaders' letters of 21 December, Khrushchev expressed "profound satisfaction" that they had found it desirable to discuss "major international problems" at summit meetings which "should be held from time to time in countries participating in such conferences." Khrushchev's characterization of the Western offer as "confirming" a readiness to take part in a four-power meeting at the highest level implied that the Western move was merely a response to a Soviet initiative. He also reiterated the standard Soviet position that only this type of meeting can "effectively" solve those international problems which are "ripe" for solution.

Khrushchev's offer of two alternate dates for the meeting --either 21 April or 4 May--and the prompt reply to the Western letters of 29 December were probably intended as further demonstrations of Soviet flexibility in accommodating Western views. In an effort to underline this position, Soviet propaganda media have dismissed procedural matters, such as the time and place, as relatively insignificant, emphasizing that the alacrity with which the USSR responded reflects the "great importance" it attaches to the fact that the summit preparations have entered the "final and decisive stage."

Khrushchev's specific reference in his 25 December letter to a "four-power" meeting suggests that he does not intend to press for full participation by the two German states. His formula, however, would not preclude subsequent Soviet proposals for some form of German participation in discussions of the German and Berlin questions.

Continuing East German claims to some form of participation, most recently reiterated by the East German deputy foreign minister on 23 December, suggest that Moscow may intend to take up this question in future diplomatic exchanges or at the meeting.

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In commenting on the issues involved in an East-West meeting, the Soviet press has underlined the Soviet view that Khrushchev's plan for universal disarmament must be given serious consideration at the conference and that the problem of West Berlin's status cannot be subordinated to unrelated problems such as European security, partial disarmament, and German unification.

Soviet propaganda media have used press speculation that the West hopes to avoid reaching specific solutions at the summit to launch an attack on Western efforts to continue the arms race and delay dealing with the USSR's disarmament proposals. Moscow's intention to use the summit conference as a platform for expounding this plan was clearly evident in a Pravda article which labeled disarmament a "top subject," with the implication that "only statesmen invested with full powers" could decide on such pressing problems.

Soviet criticism of the alleged plan of the Western powers to link any discussion of Berlin to the question of German unity probably reflects Moscow's estimate that the West can be quickly brought to a discussion of an interim Berlin solution separate from German unification. Moscow charged that attempts to revive the thoroughly "discredited" Western package proposal, introduced at the Geneva foreign ministers' conference on 14 May, were mere tactical moves to placate Chancellor Adenauer and extract concessions from the USSR,

since the Western leaders no longer believe that a separate discussion of Berlin can be avoided.

Characterizing this alleged Western plan as a "step backward," the Soviet press rejected such maneuvers on the grounds that the USSR did not plan to attend a summit meeting for purposes of trading. It was further claimed that some Western circles were ignoring the positive results already achieved at the Geneva conference.

Moscow also carried over its efforts to appear accommodating to Western views in its 28 December aide-memoire accepting a Western proposal to convene the ten-power disarmament committee in Geneva on 15 March. Recalling its earlier exchange of notes with the United States, the Soviet reply repeated the willingness of bloc members to meet at the "earliest possible date in 1960," while noting that since the Western powers were not prepared for an early meeting, the date of 15 March or "another time near this date" would be acceptable.

The USSR probably hopes that its expression of immediate readiness for disarmament negotiations, coupled with a flexible position in adjusting to Western desires, will convey the impression that the West is delaying the talks because of its "difficult" position in seeking to counter Khrushchev's proposals for comprehensive disarmament.

Western Positions

French Foreign Minister Couve de Murville, in a foreign

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policy statement before the National Assembly on 28 December, said that a summit meeting "can bring only limited agreement," but that it would be justified if some "practical" agreements were reached on disarmament questions and "normalization" of East-West relations. The foreign minister indicated that one of the French conditions for a summit meeting was being fulfilled by stating that "nothing has disturbed the international atmosphere in the past few months." He also indicated France's agenda priorities by stressing the importance of disarmament to the French Government, although he added that "it may be possible to reach some agreement on the principle of our rights."

Coude Murville's statement on NATO, including France's belief that NATO and US participation in the defense of Europe were "as necessary as before," were designed to calm France's allies and French parliamentary critics of De Gaulle's policies toward the Atlantic alliance. His public remarks that France must participate in global strategy decisions, including the decision to use nuclear weapons, appear designed at least in part for Soviet consumption, perhaps to indicate that France is still working to exert a moderating influence on the "Anglo-Saxons."

The British press has expressed a general relief that a date for summit is being settled, although most papers agree that a "nibble" at some of the political problems is all that can be hoped for in the talks. Prime Minister Macmillan is credited for the idea of a

series of summit meetings. British newspapers are mainly concerned, however, at the lack of agreement among the Western allies. The liberal Manchester Guardian contends that the emptiness of the Paris meetings is becoming more and more apparent, and the Conservative press deplores the fact that President Eisenhower was not able to mend the fundamental breach with De Gaulle.

Despite a degree of reassurance as a result of the Western summit meeting in Paris, there is concern in West Germany over reports of softness in the Western position in regard to Berlin. A newspaper close to Chancellor Adenauer has indicated that in view of the difficulties which may be anticipated within the Western four-power working group preparing for the summit, Adenauer may decide to visit Washington during next spring's discussions.

The German position on Berlin, as enunciated by federal press chief Eckardt, is that the Western powers should reserve complete freedom of action during the summit meeting, and that there is no legal or diplomatic obligation for them to return to "compromise" positions taken last July. Eckardt warned that any Allied troop withdrawal from Berlin would make the Western position in the city untenable.

Nuclear Test Problem

Pravda's immediate attack, published within a few hours after the 29 December American announcement reserving the right to resume nuclear tests after the expiration of its moratorium

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on 31 December, suggests that Moscow will counter the move with a campaign to place the West on the defensive by creating the impression that the United States is seeking a pretext to resume tests. The Pravda article charged that the decision was a "very dubious sign of peaceful intentions" and strongly implied that the United States had already resumed underground testing.

Moscow probably believes this line of attack will be the most effective means of preventing the United States from resuming tests as well as forestalling or blunting the effect of a Western proposal for a limited treaty excluding underground tests from a permanent ban, pending a settlement of the technical dispute on detecting underground explosions.

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IRAQI-IRANIAN RELATIONS

Despite Baghdad's blustery statements regarding its determination to assert sovereignty over disputed portions of the Shatt al Arab river and charges that Iran is massing troops along Iraq's border, the Iraqi Foreign Ministry has assured the American ambassador that the Iraqi objective is to negotiate a settlement with Iran in accordance with existing treaties between the two countries. Although Iraq is not willing to concede what it considers its rights under the Iraqi-Iranian Treaty of 1937, a compromise over administrative arrangements may be possible.

If direct negotiations fail, it is likely that Iraq will appeal to the International Court of Justice (ICJ) or the United Nations. Foreign Minister Jawad indicated to the British ambassador last week that he would welcome British efforts in Tehran to ease the current crisis. Shipping in

the Shatt meanwhile is moving normally.

Over-all Iraqi military strength in the Basra area is believed to be stronger than opposing Iranian forces in the Khorramshahr-Abadan area.

Iran's Stand

Iranian officials are becoming increasingly concerned over the rapid deterioration of relations with Iraq, and the Shah has ordered his Foreign Ministry to study the comparative advantages of submitting the issue to the ICJ or the UN Security Council. He has also considered a unilateral denunciation of the treaty of 1937. Meanwhile, Iranian military leaders have been directed to avoid provocative actions, and the Iranian press is being calmed. The Iranian foreign minister is also receptive to the idea of direct discussions with his Iraqi counterpart.

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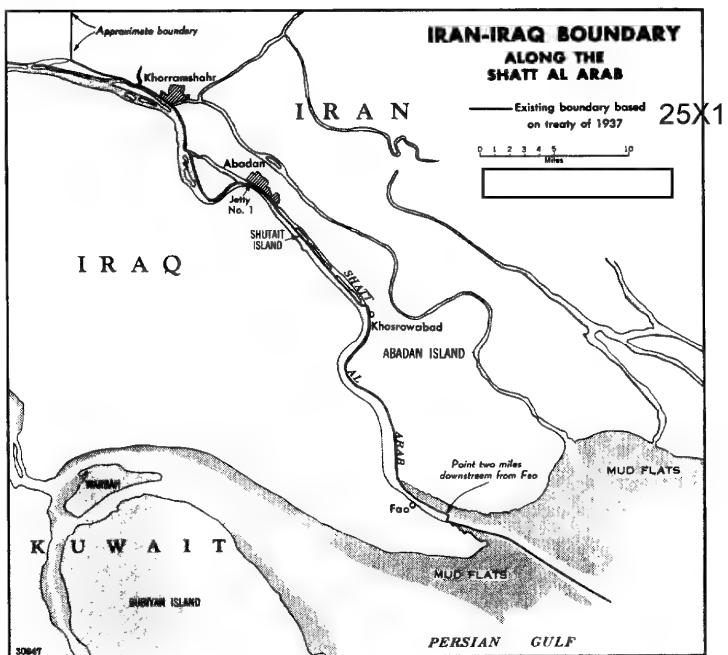
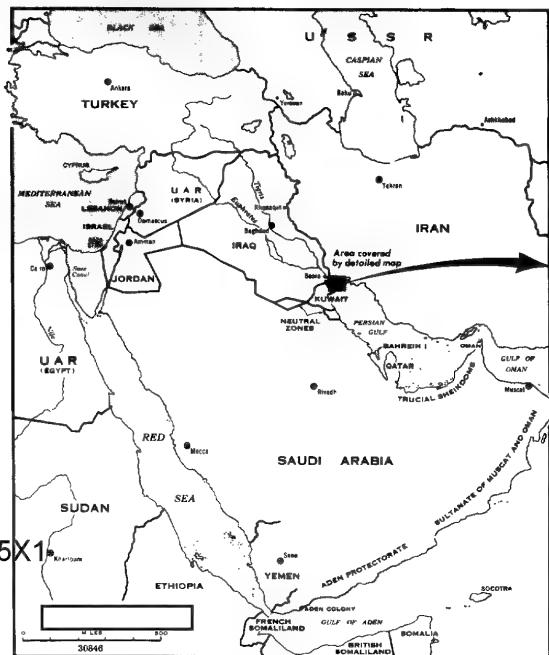
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Iran is largely responsible for the present tension with Iraq by having threatened to contest by force Iraqi navigational controls on the river. The Iranian Government fears that any regime which follows Qasim would be even more obstructive to Iranian interests on the Shatt al Arab and decided to make an all-out effort to have the mid-point of the navigable channel established as the boundary.

Last October the Iranians attempted to assert their control over navigation to Iranian ports by requiring that the Iranian flag be flown by vessels until they are 12 miles out and that pilots be licensed in Iran. Naval protection was authorized where necessary. This action irritated

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the Iraqis, and Prime Minister Qasim declared on 2 December that Iraq had been forced by the British in 1937 to cede the portions of the river at the Iranian ports and that he would seek their return. Since that time he has reiterated his contention, although professing that he wished to regain this territory by measures short of force.

Definition of the Boundary

Control over navigation on the Shatt al Arab has long been a source of difficulty between the two countries. Between the Persian Gulf and a point a few miles above Khorramshahr, the frontier between the two countries runs along the low-water mark on the Iranian shore of the Shatt, except for two short stretches opposite Khorramshahr and Abadan, where it follows the thalweg--the deepest part of the channel--so as to leave these ports and their jetties in Iranian waters.

Iraq's boundary with Iran is basically that which was agreed on with the Ottoman Empire in the Treaty of Erzrum in 1847, demarcated by a

boundary commission in 1913-14, and reaffirmed with some changes by an agreement in 1937. Article 4 of the 1937 treaty states that the Shatt is open on equal terms to merchant ships of all countries and to Iraqi and Iranian warships; also that use of the Shatt, which the agreement clearly recognizes as Iraqi internal waters, is not affected by the fact that the frontier alternates between the low-water mark and the deepest part of the channel. Navigation from the river mouth up to the port of Basra has been under Iraqi control.

Although Iran has not officially questioned Iraqi sovereignty over the Shatt, it has been pressing for a convention on navigation, which the 1937 agreement calls for. Up to the present time, the Iraqis have refused to negotiate. In several instances in the past, Iran has complained that the 1937 agreement is invalid because it was signed "under duress" --British pressure. However, as long as the Basra Port Authority was run by the British, the question was not considered pressing. 25X1

THE POLITICAL CRISIS IN LAOS

The political conflict between Premier Phoui's conservative Rally of the Lao People (RLP) and the young reformist Committee for Defense of National Interests (CDNI) remains unresolved. The King has now unofficially thrown his considerable influence behind the

CDNI position that the National Assembly's mandate expired on 25 December and Phoui's all-conservative government, formed on 15 December, therefore no longer has any legal basis. The King seems reluctant, however, to involve himself officially in moves to relieve the

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crisis, and has placed the burden on Phoui himself to find some means of accommodating to the CDNI position.

Phoui is in an unenviable position, even though the likelihood of a coup attempt against him by the CDNI's military members is receding. On the one hand, he is probably having difficulty persuading RLP deputies to admit publicly that they had erroneously interpreted the constitution and a 1957 electoral law in an effort to continue parliamentary government after 25 December. On the other hand, he is under considerable pressure from the CDNI and the King. While the premier can be expected to continue to maneuver to salvage as much of the conservative position as practicable, in the end he will probably have to find some face-saving means of acceding to the terms of the CDNI and the King.

The conservatives have received a further setback in the sudden death of Deputy Premier Katay, a wily politician who was one of the RLP strong men.

While constitutional matters have been in the forefront of the dispute between the CDNI and Phoui, the crisis stems basically from the efforts of the young CDNI activists to displace the older conservatives, who represent a few powerful clans, as the ruling elite of Laos. The CDNI accuses the conservatives of corruption, lack of mass support, and a lack of dynamism in their approach to the government's serious problems. The conservatives, on the other hand, claim the young reformists are brash and inexperienced and tend to take ill-considered actions.

The situation remains potentially explosive, but the most likely outcome is a peaceful solution in which Phoui would be redesignated premier in a nonparliamentary, transitional government pending new elections. At some point, perhaps immediately, the CDNI would re-enter his government. In any event, the balance of power within the government 25X1 may be shifting to the reformists.

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PART II

NOTES AND COMMENTS

SINO-INDONESIAN RELATIONS

A period of negotiation may be pending in the Sino-Indonesian dispute arising from Djakarta's decree banning alien retail trade in rural areas. Indonesian Foreign Minister Subandrio announced on 22 December, "If circumstances permit, it would be well for Chinese Foreign Minister Chen Yi to visit Indonesia." A 24 December letter from Chen Yi to Subandrio made a "specific proposal" that the two countries promptly exchange in Peiping ratification instruments of the Sino-Indonesian citizenship treaty signed in 1955 and appointed Peiping's ambassador in Djakarta as the senior Chinese delegate on a joint committee to implement the treaty.

Chen Yi's letter would seem to amount to an admission that Peiping cannot compel Djakarta to reverse action against the Overseas Chinese. Peiping may hope to obtain some compensation for dispossessed Chinese who wish to remain in Indonesia, as well as Djakarta's agreement that those Chinese who wish to return to China can retain money and possessions.

Peiping's propaganda accusing the Djakarta government of

"discrimination" has virtually halted. While posing as champions of Overseas Chinese interests, Chinese leaders appear anxious to keep Indonesia in the neutralist camp and to prevent a break in Sino-Indonesian relations.

Indonesian Government circles apparently feel that Djakarta has won the first phase of the dispute. Chiefly contributing to this impression are the virtual completion of Chinese evacuations from West Java, despite repeated Chinese protests and interference, and the cessation of Peiping's propaganda campaign.

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Although the dispute may have entered a less heated phase, Indonesia reportedly is planning further action, which is likely to promote renewed friction.



ELECTION PROSPECTS IN INDIA'S KERALA STATE

The working agreements achieved by the non-Communist parties in India's Kerala State seem to give them a considerable preponderance of strength over the Communists as campaigning for the 1 February state assembly elections gets under way. At the moment, however, no one

party appears capable of winning a majority of the assembly seats. A coalition government seems the most likely election outcome.

The lessons learned by Congress and socialist party politicians following their

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defeat in the 1957 elections apparently are paying dividends. Congress leaders have taken firm steps to revitalize the party and correct the chronic weaknesses which permitted the Communists to come to power. National leaders, including Prime Minister Nehru, now are providing the state party with the material support and direction which was previously lacking. The state leadership, long paralyzed by factionalism and discredited in Kerala, has been placed in the hands of a promising politician from the more numerous lower caste of Hindus. His realistic policies and talent for fostering cooperation among Kerala's rival communities have injected new life into the party organization.

The apparently firm agreement establishing a "United Democratic Front"--under which leaders of the Congress party, the Praja Socialists, and the Moslem League have allocated the constituencies each group will contest--denies the Communists their previous opportunity to win a disproportionate number of seats by splitting the non-Communist vote. The anti-Communist front will also benefit from active support of the Hindu and Christian communal organizations which led the successful agitation against the Communist government last summer.

Widespread disillusionment with the Communist party in Kerala has been another important

factor in improving its opponents' prospects. The Communists' inability to come up with any real answers to Kerala's chronic economic problems has lowered their stock, and the party's reputation has been further downgraded as a result of its national leadership's "un-patriotic" reaction to the India-China border dispute.

The Communist party nonetheless remains the best organized and financed group in Kerala. Party workers have been propagandizing vigorously since August, and already have an impressive campaign apparatus in the field. The non-Communist effort, on the other hand, is just beginning, and Congress planners apparently still have some doubt that the funds and equipment supplied by their national headquarters will be adequate. In addition, the democratic front has not yet moved to exploit at the village level the Communist position on India's dispute with China. While this issue has had a strong impact on the educated elite, it has not been brought home to the illiterate masses. The personal rivalries and communal antagonisms traditional in Kerala politics lie just beneath the surface of the "united" democratic front. These weaknesses could still work against the anti-Communist elements and almost certainly would hamper efforts to form an effective coalition government after the elections.

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AFGHANISTAN PREPARES FOR SECOND FIVE-YEAR PLAN

The Afghan Government, recognizing that its development programs have suffered from haphazard planning during the First Five-Year Plan period (1956-61), intends to strengthen the

Ministry of Planning as it prepares for the Second Five-Year Plan (1961-66).

The First Five-Year Plan is a hodgepodge of projects

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supported by various ministries, and was drafted without the benefit of even rudimentary statistics. The Afghan Government accordingly intends to give the Ministry of Planning a more powerful role in 1960, adding seven technical committees to its staff and three policy committees. Kabul apparently expects to employ about 60 foreign advisers from the Soviet bloc and the free world on these new committees, bringing large numbers of foreign advisers into the ministry for the first time.

Most of the foreign advisers apparently are already working on other projects in Afghanistan, and reportedly have already been chosen.

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the USSR is said to have promised a team of ten experts, of whom seven now are in the country. If Kabul actually plans to utilize field technicians in advisory posts, it may limit the effectiveness of its program by not having the best qualified personnel. Should Kabul also intend to mix the nationalities of advisers on each committee, it might find committee members working at cross purposes.

In addition to enlarging the staff of the Ministry of Planning, the government expects to take its first national census in 1960 to secure the statistics required for national economic planning.

The Afghans probably intend to put greater emphasis on the development of productive projects during the second plan. Transportation development has received top priority so far, but there probably will be greater interest under the new plan in building factories whose products could move in greater

volume over the newly built roads. More local manufacturing is needed to improve Afghanistan's balance of payments, particularly in reference to the USSR.

The USSR can be expected to cooperate fully with Afghanistan's enlarged Ministry of Planning, welcoming the opportunity to increase its influence within the Afghan Government. Prime Minister Daud regards economic development as essential to the preservation of the royal family's power. He is inclined to expand the government's control over the economy, neglecting or suppressing private enterprise. Soviet advisers would probably encourage Afghan planners to go further along these lines.

Some of Daud's modernization policies are meeting resistance from the country's Pushtoon tribes and from conservative religious elements generally. The tribes fear that road improvements in their territory will be used to extend the government's control over them. This fear apparently is resulting in increasingly frequent tribal incidents.

Since the government began last August as part of its social reform program to encourage women to appear in public without the veil, opposition has apparently become widespread. The resulting antigovernment riots in Kandahar on 21 and 23 December are probably viewed by Daud as a serious challenge to his authority. He will probably press ahead with his modernization policies, however, feeling that to give in to the country's conservative religious leaders would ultimately lead to the downfall of the royal family and the intervention of foreign powers.

(Concurred in
by ORR)

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SOVIET PARTY MEETING ACCOMPLISHES LITTLE

The Soviet party central committee, which met in Moscow from 22 to 26 December to consider agricultural issues, announced few results in the way of decision-making. Most major issues were made the object of further study, although the meeting had been scheduled a half year in advance and these issues had been under discussion in the interim. The most likely explanation for the general failure to produce bold new programs is that the Soviet leaders, especially Khrushchev, have been too preoccupied with other interests to figure out their next moves in agriculture.

The plenum had seemed a logical forum for some dramatic proposal, since various problems require solution and this year's mediocre harvest got the Seven-Year Plan off to a weak start in agriculture. The lower harvest, however, may have had the reverse effect of causing the leaders to act more cautiously.

The principal drama of the meeting was provided by Khrushchev's scathing criticism of agriculture in Kazakhstan, which constituted a final demand on Kazakh party boss Nikolay Belyayev to remedy an intolerable situation. Revealing to the plenum what Belyayev and Kazakh Premier Kunayev had "lacked the courage to say," Khrushchev described the organization of the Kazakh harvest as "bad, very bad indeed." Over 3,500,000 acres of bread-grain crops had not been gathered; 18,000 combines had stood idle during the harvesting season, and several thousand others had broken down in the fields. He laid the blame for this situation squarely on Belyayev's shoulders, and implied that

the latter had hoodwinked the party presidium by refusing Moscow's offers of help.

Khrushchev's reminder that "friendship is friendship, but work is work" and his statement that it is quite normal to remove those who are unable to cope with their jobs make it amply clear that Belyayev's continued tenure in Kazakhstan, and perhaps his membership on the central party presidium, are very much in question.

Khrushchev barely concealed his general disappointment with this year's harvest and did not give any figure for total grain output this year, which is apparently only roughly three fourths of last year's record harvest. He noted only that state grain procurements fell below the average of the last four years. He did not mention output figures for other major field crops. He suggested, as means to increase future output, using some 30,000,000 acres of fallow land, devoting more land to higher yielding crops, such as corn, and better use of both organic and chemical fertilizers. His emphasis was on programs which are not costly to the state.

He told the plenum that collective farmers' pay should not exceed that of state farmers and urban workers in any given locale, and that, in readjusting prices paid to collective farmers, gross inequities among various collective farms should be eliminated. He said the time was not distant when the party would grapple with the problem of better construction in villages--particularly apartment houses for farm labor. This has long been a touchy issue, and Khrushchev said the

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government would go very slowly in this direction.

On the issue of the future form of administering collective farms, the resolution, which followed Khrushchev's speech, instructed the party presidium to study the matter, including proposals to establish collective farm unions. In recent months some unions have already been established at the rayon level. The unions are to administer intercollective enterprises, principally construction units; to create and supervise mutual assistance projects for aiding poor farms; and generally to oversee the activities of collective farms.

Collective farm unions are controversial from various standpoints. The amount of support richer farms should extend to poorer ones is a vexatious question; another is the amount of authority which collective farm unions might take from the Ministry of Agriculture.

The plenum gave no indication when a collective farmer's congress would be held, or even if it would be held. At the time of the machine-tractor stations reform in 1958, it was

stated that such a congress would be convened early in 1959. The plenum again endorsed the trend toward monthly cash wage payments and the rapid spread of intercollective farm construction organizations, but it did not outline future developments in these spheres.

The plenum instructed Gosplan to draw up a plan for fertilizer production and to draw up within one month plans for enabling farmers to carry out sowing and harvesting within shorter time periods, as well as plans for developing the design and experimental base of the agricultural machine building industry.

After the resolution was passed on 25 December, there was no announcement that the committee had concluded its work, but there have been no reports of any later session. According to information received by the American Embassy in Moscow, however, a special closed session was held on 26 December. If this is true, the committee probably considered such politically sensitive subjects as intrabloc relations or criticism of high party leaders. There are rumors in Moscow that important developments in Sino-Soviet relations are being "explained." 25X1

(Prepared jointly with ORR)

NEW SOVIET ARMORED DIVISION

A new type of Soviet combat division, designated the "heavy tank shock" division, has recently been reported. The new division is believed capable of functioning either as part of a tank army or independently as a reserve unit of the High Command. Several of these divisions are believed to have been organized as early as 1957, but the number of them is not known.

Although the basic armored fighting vehicle of this division is reportedly the T-10 heavy tank, some heavy tank shock divisions--particularly those with the Group of Soviet Forces in Germany (GSFG)--are still equipped with the older JS-3 heavy tank. The replacement of the JS-3 with the T-10, however, is expected.

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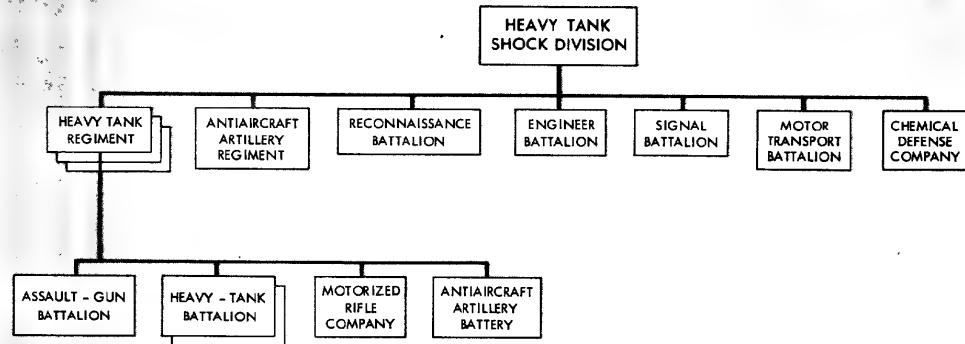
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PROBABLE ORGANIZATION OF SOVIET HEAVY TANK SHOCK DIVISION



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30 DECEMBER 1959

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The creation of this division preserves the traditional Soviet arrangement of having three types of line divisions, with varying "mixes" of armor and infantry. Its organization reflects the continuing Soviet stress on armored firepower and mobility in its line units. The standard tank division, which has been retained, now apparently

The personnel strength of the heavy tank shock division is reportedly between 6,000 and 6,500; its complement of major weapons includes 210 heavy tanks, 93 heavy assault guns, and an appropriate number of armored reconnaissance vehicles and antiaircraft weapons.

The main striking force consists of three heavy tank regiments, each with its own assault gun battalion, a motorized rifle company, and an antiaircraft artillery battery. The tank regiments are supported by a reconnaissance battalion, an antiaircraft artillery regiment, a motor transport battalion, an engineer battalion, a chemical defense company, and a signal battalion.

When functioning as part of a tank army, the new division reportedly will operate with three standard tank divisions and an artillery force. In any major drive it will be in the first echelon; otherwise it will follow one or more standard tank divisions, in a good position to support them if they are held up by a superior force. Its offensive role will be to assist in major breakthroughs, penetrate deeply into enemy rear.



T-10 SOVIET HEAVY TANK

holds the intermediate stage among Soviet line divisions between the motorized rifle division and the heavy tank shock division. This position was formerly occupied by the mechanized division, which is now apparently being phased out.

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areas, and generally disrupt enemy communication zones.

The division's relatively small size and high mobility will enable it to launch attacks from assembly areas as far as 25 miles behind the forward edge of the battle area. A normal defensive role for it would be to serve as a High Command reserve force to be used against any enemy penetration that has not been halted by the tank armies.

The all-round armor protection of nearly all the di-

vision's vehicles and the mobility of its units would enable it to move most of its elements through areas of radiation. The T-10 tank is more resistant to the blast effects of tactical atomic weapons than are other Soviet tanks. The development of this division may reflect Soviet doctrine for the employment of armored forces in atomic warfare: that the force should be capable not only of penetrating radioactive obstacle areas, but also of advancing close behind friendly atomic fire.

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THE BULGARIAN ECONOMY IN 1959

A Bulgarian party announcement on economic development in 1959 reveals substantial achievements in industry and a level of agricultural production approaching the postwar peak, but over-all performance fell far short of the revised "leap forward" goals for 1959. The regime has resorted in many instances to comparisons with targets of the original Third Five-Year Plan (1958-62), thus avoiding direct admission that the revised 1959 targets were not met and putting results in the most favorable light.

The volume of agricultural production for 1959 is estimated at 10-20 percent above the 1958 level but somewhat below that of 1957, the best postwar year. The officially claimed 26-percent increase in value of agricultural production--compared with a planned increase of 74 percent--over 1958 reflects higher prices paid for agricultural products this year, as well as increased volume.

Disruption of the supply and distribution system, ap-

parently much more serious than usual, caused shortages throughout the country. Difficulties appear to have been caused mainly by breakdowns in the trade network as a result of the sweeping administrative reorganization of early 1959.

A substantial expansion of industrial output by about 25 percent--close to the 28-percent figure planned for 1959--and higher agricultural production led to a considerable growth in the national income, possibly by 10-15 percent. Because a large part of this increase appears to have been used for investments--up a claimed 50 percent--the consumer obviously was not the principal beneficiary.

For the regime, the "leap forward" can probably be termed a success in a number of ways, despite absurdly high 1959 targets for agriculture and national income. The Bulgarian economy expanded at a more rapid rate than in recent years. The number of unemployed, for many years a problem, apparently has been sharply reduced; additions to

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the industrial labor force in 1959 were about twice as high as in 1958. Redundant labor in rural areas was put to work on various agricultural schemes which, although not immediately beneficial, constitute a basis for future increases in agricultural production.

Although these achievements would probably not have been possible without the policies of the "leap forward," the regime probably expected even more. There is no indication, however, that party First Secretary Todor Zhivkov will be affected. Administrative changes decreed by the central committee plenum on

8 and 9 December sought to strengthen the party's control over the economy, and further changes may be in the offing.

Although the phrase "leap forward" does not appear in connection with future plans, the party announcement makes it clear that the leadership is committed to an "accelerated program" for all sectors of the economy. In most instances, 1960 goals call for lower rates of increase than were demanded in 1959, but targets are still quite high and imply continuing heavy demands on resources and pressure on the population.

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(Prepared by ORR)

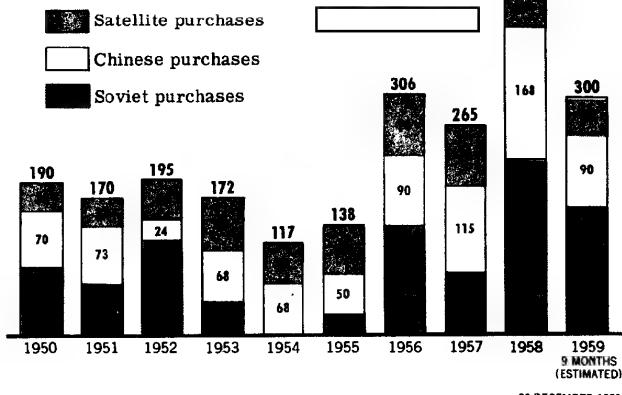
BLOC ACTIVITY IN THE WORLD RUBBER MARKET

The Soviet Union continues to buy rubber in Southeast Asia at the increased rate noted since last year, and the volume of its rubber imports in 1959 probably will match the previous peak of 220,000 tons achieved in 1958. Communist China has been less active in Asian rubber markets, however, and total bloc rubber purchases this year

apparently will not reach 1958's record level of 450,000 tons. During the first ten months of 1959 the bloc bought an estimated 340,000 tons, almost all of which came directly from South and Southeast Asian rubber producers.

Rubber is a commodity widely re-exported within the bloc.

In recent years Chinese purchases in excess of domestic demand have been re-exported to the USSR and Eastern Europe. Heavy Soviet purchases direct from Malaya--amounting to 16 percent of the Federation's rubber exports in the first half of 1959--partially replace rubber the USSR normally bought through China and through West European middlemen, who in 1958 supplied the bloc with 28 percent of its imports.

SINO-SOVIET BLOC RUBBER PURCHASES
THOUSAND TONS

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Bloc rubber purchases fluctuate widely from year to year, partly because of turnover of stockpiles. Current buying is not considered greatly in excess of normal stockpiling and internal requirements, which have expanded along with the rate of economic development. Increased imports by the USSR since 1956 probably have gone to rebuild depleted stockpiles and to compensate for a lag in construction of new synthetic rubber facilities. Chinese purchases--restricted largely to Indonesia this year--are considered more than adequate to meet Peiping's current needs, while East European countries continue to buy normal quantities.

The USSR and China have freely switched their buying activities from country to

country in response to the prevailing political climate and the needs of the bloc's economic programs in underdeveloped countries. As in 1958, Malaya probably will be the principal source of bloc rubber imports this year, chiefly because of the Soviet decision to purchase there directly rather than through a London agent.

China now is a less important factor in the Malayan market, and is relying almost exclusively on continued large shipments from Indonesia. The USSR this year tried to win Djakarta's acceptance of a long-term contract specifying much larger deliveries of Indonesian rubber, but it succeeded only in obtaining an increase in the export commitment from 14,000 to 20,000 tons this year. [redacted]

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TUNISIA

A more conciliatory tone in the speech of Tunisian President Bourguiba on 23 December may indicate a moderation in the pace of his government's program to sequester foreign-owned properties and, consequently, a more propitious atmosphere for forthcoming negotiations of outstanding Tunisian-French problems. The acceleration in nationalistic measures was marked following the general election on 8 November, and by early December a situation close to panic had built up among foreign residents and property owners.

Farm lands in the northern part of the country had been seized, industrial establishments nationalized, and discriminatory labor legislation

implemented. Some French investors have investigated the possibility of American government loans for their enterprises, apparently in the belief that the United States might exert pressure on Tunisia to postpone nationalization.

Bourguiba has been under increasing domestic pressure to achieve his goal of full employment. Noting Tunisia's scarcity of natural resources and pushing public works programs as the quickest means of reaching his goal, he had criticized earlier this month the conditions imposed on the use of American aid funds. At that time he openly bid for economic aid from other sources, including the Soviet bloc. He reportedly did not solicit economic aid from Czechoslovakia

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when Ambassador Emmanuel Brazda presented his credentials on 22 December as that country's first emissary to Tunis. Nevertheless, Bourguiba's remark that he would welcome expanded trade and cultural relations with Prague suggests that he might welcome an aid offer.

Bourguiba apparently has been impressed by the tactics of the newly arrived French ambassador, Jean-Marc Boegner. When he presented his credentials on 15 December, Boegner announced that Paris has changed its policy regarding the French colony and understands Tunisia's desire to "Tunisify" French agricultural lands and industrial enterprises. He also stated that France wants to reduce the size of the French colony in

Tunisia, probably a welcome gesture to Bourguiba, who is accomplishing the same end by reserving most jobs for Tunisians.

Apparently as a quid pro quo to Boegner's remarks, Bourguiba asserted publicly on 23 December that the persons and properties of all foreigners must be respected, and that decolonization is a governmental, not an individual problem.

Another factor contributing to a more moderate approach by Bourguiba has been the prestige factor of President Eisenhower's visit. The French counselor of embassy in Tunis attributes the "new" Tunisian approach to the Eisenhower-Murphy conversations with Bourguiba.

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POLITICAL TRENDS IN THE BELGIAN CONGO

Representatives of several important Congolese nationalist parties have joined in a demand that Belgian officials meet with African representatives on 5 January to discuss the details of handing over authority to a Congolese government to be formed following legislative elections now anticipated in March. The nationalist representatives have approved a resolution calling for the transformation of the Congo into a "Union of African Republics"--a federal republic of six autonomous states--with a prime minister and two-chamber legislature. The federal government would immediately be given control over foreign affairs, finance, education, and defense.

Brussels, which reportedly has refused the African demands, had already set 18 January as the date for a conference with nationalist leaders to discuss

early autonomy for the Congo and a more gradual evolution into an independent state over a period of several years.

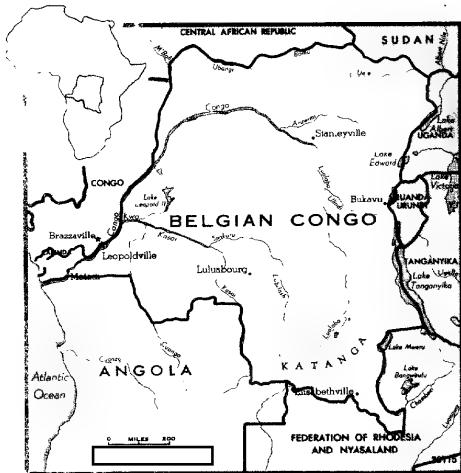
Support for the nationalist proposals has been voiced privately by the managing director of the Union Miniere, the huge mining company which dominates the economy of the mineral-rich Katanga Province in the southeastern Congo. He believes that a federation would preserve the economic unity of the Congo while giving the Katanga considerable autonomy and the possibility for secession if a federal Congo government interfered with local provincial interests. His statements suggest that the Union Miniere will become increasingly involved in Congo politics in an effort to preserve its privileged economic position.

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24 December the Union Miniere and other local European interests urged African cooperation in the formation of an autonomous Katanga government to present a fait accompli to touring King Baudouin.

While there is apparent agreement among the leading nationalist parties, except for

the absent Lumumba faction of the National Congolese Movement, the communal and territorial elections held in December showed that no single group could claim to speak for the large majority of the 13,000,000 Congolese. In these elections, tribal groupings with unknown party affiliations--and frequently responsive only to local issues--won the largest number of contests. Among the parties, the moderate and settler-influenced Party of National Progress secured the largest number of seats.

Nationalist extremists represented by the Lumumba and Kalonji factions of the National Congolese Movement showed voting strength only in Stanleyville and Luluabourg. In Leopoldville, the power of the Abako movement, led by Joseph Kasavubu, was demonstrated by the popular support for the Abako-ordered boycott of the elections. Only 31 percent of those eligible voted, compared with 70 to 93 percent elsewhere in the

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CARIBBEAN TENSIONS CONTINUE

The Castro regime is stimulating class antagonisms in Cuba and is attempting to strengthen its domestic position by repeatedly warning the public of the danger of imminent invasions by counterrevolutionary forces. Cuba has given moral support, and in some instances material aid, to opposition groups in Nicaragua, Guatemala, Panama, and the Dominican Republic and to the strikers in Costa Rica. Nicaraguan exiles are planning a new foray against the Somoza regime, perhaps in January.

Fidel Castro's drastic reform program, his stimulation of class antagonisms by bitter attacks on the wealthy, the growing strength of Communists and pro-Communists in the government, and his increasingly authoritarian methods have resulted in a definite narrowing of the base of his regime. Upper- and middle-class elements, many of whom were originally among his backers, now are largely disillusioned. The opposition, representing widely diverse interests and views and lacking

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in effective leadership, is only slowly coalescing and, barring Castro's assassination, does not appear to be an immediate threat to the Cuban leader.

To strengthen his domestic position, Castro continues to foster the public impression that Cuba is threatened on all sides by enemies. Repeated strident warnings by the regime of imminent invasions by counter-revolutionaries from the Dominican Republic, Florida, and elsewhere in the area have led the public to expect violent new outbreaks at any time. In other Latin American countries, he poses as the staunch champion of the people's interests against entrenched oligarchies and the "imperialism" of foreign monopolies. A Castro-subsidized Latin American news agency and a nascent hemispheric labor organization are useful instruments in this effort.

Although the Cuban-mounted rebel incursions into the Dominican Republic last June ended in disastrous failure, the Castro regime still regards the Trujillo dictatorship as a

mortal enemy that must eventually be destroyed. Dominican exile groups, heavily infiltrated by Communists, are enjoying asylum in Cuba

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In Costa Rica, a Communist-inspired strike of banana workers began on 21 December, further straining the limited capabilities of the Costa Rican police, who have for some months been vainly trying to clean the border area of Nicaraguan rebel bands. A pro-Castro Costa Rican legislator announced on 27 December that the strikers are to be given \$50,000 and provisions by the Cuban labor movement.

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DEVELOPMENTS IN BRITISH GUIANA

Cheddi Jagan, Communist leader of the government of British Guiana, is seeking closer economic relations with the Soviet bloc and will press London for complete internal self-government at the constitutional talks scheduled for February.

British Guiana will probably accept a Hungarian offer

to build a glass plant unless a better Western offer materializes. The low bid and easy credit terms would make it difficult for London to oppose the proposition if formally advanced by the local government. The four-man Hungarian trade mission which visited Guiana in November appears to have discovered few prospects for increasing trade, however. In

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the first nine months of 1959, British Guiana's imports from Hungary amounted to only 0.3 percent of its total imports, and the colony exported nothing in return.

Jagan, who is minister of trade and industry, implies that he may seek a Soviet loan, especially if the gap of \$8,800,000 to \$11,900,000 in the 1960-64 development plan is not filled by Western aid. He has made no positive move on this since publicly broaching the subject last August, but might launch a determined campaign for such a loan after the February talks.

These talks will center on calling the constitutional commission--on which Jagan's People's Progressive party (PPP) has a majority--to establish full internal self-government. Defense and foreign affairs

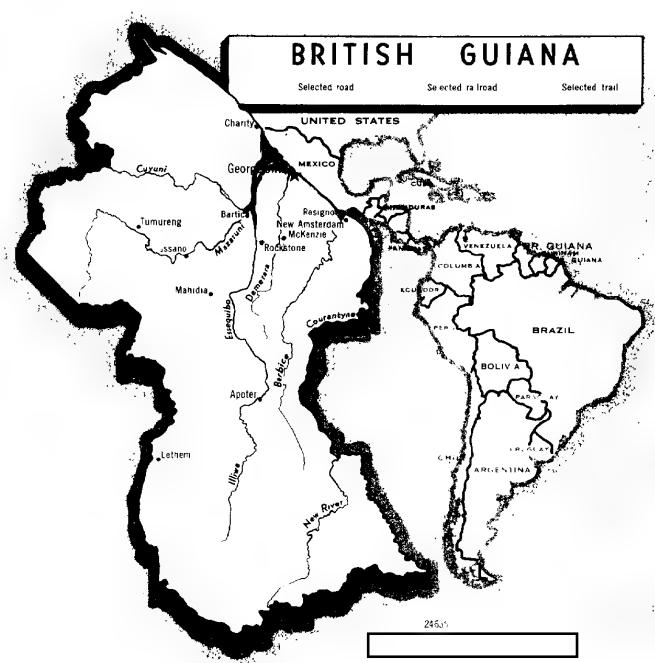


CHEDDI JAGAN

would be handled by a council, half of which would be appointed by the Governor and half by the Guianese prime minister.

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A breakdown in the constitutional talks, or an impasse with London over accepting Soviet aid, might cause Jagan to demand elections before the present scheduled date in 1961. Elections would help him deal with growing dissension within the PPP and undercut the weak opposition People's National Congress before it becomes a serious threat.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 December 1959****ANTI-SEMITIC ACTIVITY IN WEST GERMANY**

The defacing on Christmas Eve of a synagogue and an anti-Nazi memorial in Cologne is the latest in a series of minor outbreaks of Nazi-like activity in West Germany. The arrest of two members of the neo-Nazi German Reich party (DRP) for the incidents may lead to a ban of the party.

In an effort to stave off government action, the DRP immediately expelled the two accused men and dissolved the Cologne branch of the party.

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no evidence of a concerted anti-Semitic plot.

The government has been criticized by opposition parties for not having exerted itself sufficiently to see justice done in a number of previous cases of anti-Semitism, and the courts have also been attacked for taking advantage of legal technicalities to dismiss charges brought against perpetrators of anti-Jewish acts.

The DRP, which hopes to attract the support of extreme right-wing voters, consists largely of members of the former Socialist Reich party, outlawed in 1952 for violating the constitutional prohibition against parties advocating the overthrow of democratic government. Although it picked up only one percent of the popular vote in the 1957 national elections, the DRP scored a major political victory when it received just over the necessary 5 percent of the vote last April in the Rhineland-Palatinate state election to gain a seat in the state parliament. Despite active campaigning, however, the party failed to surmount this limitation in state elections in Lower Saxony--a previous stronghold--or in Bremen.

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Anti-Semitism, in the form of pamphlets and desecratory acts against Jewish buildings and cemeteries, has been growing in West Germany in recent months. Considerable attention was paid both inside and outside Germany to the trial last October in Frankfurt of hooligans who had terrorized a Jewish café owner. The trial resulted in short prison sentences and fines for several offenders, but the court found

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PART III**PATTERNS AND PERSPECTIVES****COMMUNIST BLOC ECONOMIC ACTIVITY IN LATIN AMERICA**

The Sino-Soviet bloc since early 1959 has been including the major Latin American countries in its long-range program for improving economic relations in underdeveloped countries. The USSR has thus far relied chiefly on sporadic exploitations of Latin American economic and political fluctuations, but there now are indications that a long-term effort is under way to take greater advantage of economic and political instability in the area.

Latin America was responsible for 30 percent of bloc trade with underdeveloped countries in 1955, but its share had dropped to 12.5 percent by 1958. In recent months, however, the bloc has stepped up its activities in Latin America, although the area still is not being accorded the high priority assigned to Asia and the Middle East. Among recent economic activities are Mikoyan's visit to Mexico in late November to open a Soviet exhibition--which also is to be shown in Havana shortly--the conclusion of a Soviet-Brazilian three-year trade agreement in Moscow on 9 December, strategically timed sugar purchases from Cuba, attempts to purchase Chilean copper directly rather than through West European middlemen, and a proposal for a more attractive oil-wool exchange with Uruguay.

Soviet and Satellite Roles

The European satellites' trade effort in Latin America is motivated in considerable part by valid commercial considerations. Some of the East European countries, particularly Czechoslovakia, have long had trade ties in the area and in recent years have been able to satisfy some Latin American demands for industrial equipment.

BLOC ECONOMIC ACTIVITY IN LATIN AMERICA

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Satellite commercial delegations have concluded numerous contracts to provide machinery, transportation equipment, and plants under both private and governmental long-term agreements. The satellites have been able to secure essential raw materials and foodstuffs and to diversify their sources of imports by trade from Latin America.

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Although Soviet and Chinese purchases and sales there are not devoid of an economic rationale, they are frequently timed to advance the political objective of reducing Western--particularly US--influence in the area.

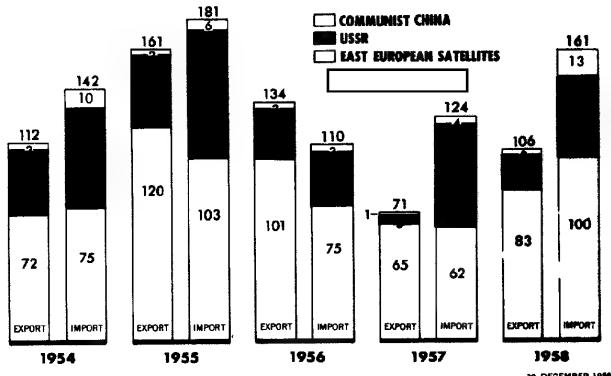
The USSR is trying to establish as a model a successful economic relationship with at least one Latin American country. Latin American regimes generally are interested in economic relations with the Soviet bloc more for economic advantage than for the implicit protest against the West which underlies much of the bloc's economic appeal to some other underdeveloped areas. Despite the conclusion of numerous trade agreements and the extension of some credits, bloc economic activity has made only a slight impact in Argentina, Brazil, Uruguay, and Cuba--the countries which in 1958 accounted for about 90 percent of all Latin American trade with the bloc.

Argentina

Argentina is the only Latin American country to have signed an agreement providing for major Soviet economic development assistance--a \$100,000,000 credit for petroleum equipment. The Soviet offer

SINO-SOVIET BLOC TRADE WITH LATIN AMERICA

MILLIONS OF DOLLARS



25X1

was made in July 1958, just before Argentina's first announcement welcoming extensive foreign financing for oil development. In October 1958 an Argentine mission visited Moscow and concluded specific contracts under the credit for about \$30,000,000 worth of material. Delivery, accompanied by a small number of Soviet technicians, has just begun. Officials in Buenos Aires indicate that most of the credit probably will not be used.

Earlier experience, moreover, has served to moderate Argentine expectations about trade with the USSR. In 1955, when Argentina was seeking a source of nondollar industrial imports and an outlet for its agricultural surpluses, the USSR increased its purchases by 30 percent--on credit under a clearing agreement. The lack of acceptable Soviet goods, however, caused Argentine imports of Soviet goods to rise only 10 percent. Argentina continues to find that Soviet industrial goods available for export frequently do not meet its needs, and as a result it has found itself supporting Soviet trade by holding credits, which exerts an inflationary effect on the economy.

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One official states that bloc purchases under these pacts "are not important enough to warrant continuation of the system." Argentina's official relations with the bloc have cooled--six bloc diplomats were ousted this year--and this probably contributed to the lessened enthusiasm for bloc trade.

The satellites have supplied a wide variety of manufactured goods, raw materials, complete plants for sugar processing, coal-washing facilities, and a power plant. They also purchase a wide variety of Argentine goods. In 1958 the chief satellite purchases were spread over at least 15 major Argentine export commodities. The USSR, in order to increase the impact of its trade, concentrated its purchases on hides, wool, and quebracho extract. The bloc directly bought over 40 percent of Argentina's hide exports in 1958.

Brazil

Brazil provides the best illustration of the transition of Soviet foreign economic

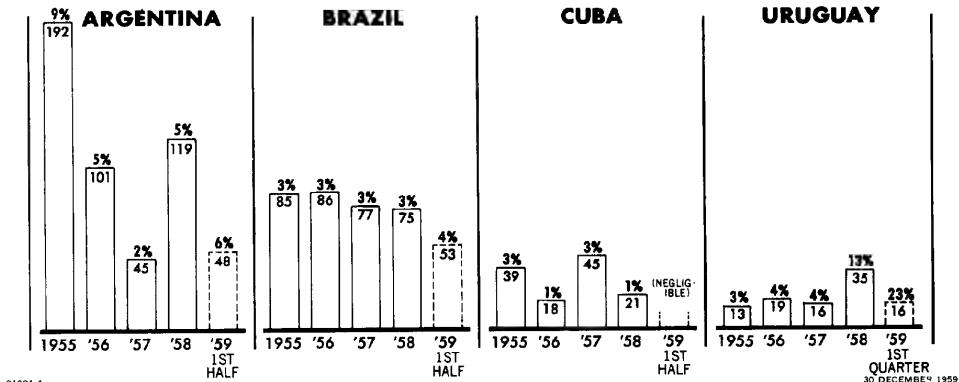
policy from opportunism to a planned campaign for a permanent growth in relations.

Taking advantage of Brazil's financial difficulties, the USSR arranged in early 1959 for the first trade exchanges in several years and has delivered \$1,300,000 worth of crude oil and purchased \$3,000,000 worth of coffee and cocoa. This ad hoc arrangement had been preceded by more extensive offers which Rio de Janeiro declined. The satisfactory fulfillment of Soviet contracts in 1959, renewed Soviet offers with assurances that Brazilian coffee would not be re-exported, internal political considerations, mounting coffee surpluses, and the scarcity of foreign exchange led Brazil to accept a more expansive Soviet agreement setting a \$214,000,000 target for trade during the next three years.

During the agreement the USSR is to purchase some cocoa, hides, and vegetable oils, as well as 70,000 tons of coffee--about 7 percent of Brazil's present accumulated surplus, which now exceeds its 1960 export quota. Recent annual average Soviet consumption of coffee has been less than 5,000 tons. The USSR is to supply principally petroleum, machinery,

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SINO-SOVIET BLOC TRADE WITH SELECTED COUNTRIES

MILLIONS OF DOLLARS
% OF COUNTRY'S TRADE WITH BLOC

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and wheat. In 1960 the USSR specifically is to deliver 150,000 tons of wheat worth \$9,000,000; 600,000 tons of crude oil worth about \$7,000,-000, which could reduce Brazil's current foreign exchange outlay for oil by about 2.5 percent; and \$9,000,000 worth of machinery and equipment. Trade exchanges are to rise from \$25,000,000 each way in 1960 to \$37,000,000 in 1961 and reach \$45,000,000 each way in 1962.

Soviet trade with Brazil is expected to remain within the bounds set by the agreement--less than 3 percent of Brazil's expected foreign trade in 1960-62. The USSR is not likely to foster great consumer demand for coffee when the traditional drink, tea, is available in barter trade with China. Other Brazilian goods specified for export to the USSR are either exported only in small quantities by Brazil or are not in significant demand in the USSR. Furthermore, the USSR presumably will not deliver large amounts of oil in barter trade with Brazil. Soviet oil now is a major foreign exchange earner in the West, where Soviet demand for plants and equipment is much greater than its current ability to pay.

To press its advantage, however, it is possible that the USSR will during 1960--an election year in Brazil--propose an economic development credit. This might be attractive to Brazil as an alternative to economic reforms that would be a prerequisite to new loans by the International Monetary Fund.

Until this year, Brazil's trade with the bloc had been largely limited to exchanges with Czechoslovakia, Poland, Hungary, and Communist China. Czechoslovakia and Poland have

established a firm basis for continuing trade on extremely favorable terms by supplying machinery and transportation equipment for foodstuffs and raw materials in demand in their own economies.

Uruguay

The USSR found in Uruguay an economy small enough to permit major inroads within a relatively short time. Sticking to a restricted program encompassing purchases of wool and deliveries of oil, the USSR has achieved a position of considerable economic importance. Bloc trade, which had been responsible for only 3 to 5 percent of Uruguay's foreign trade, suddenly rose to 13 percent in 1958 and, most important, accounted for one third of Uruguay's wool sales.

In late 1958 the USSR made its purchases of wool conditional on Uruguayan acceptance of Soviet oil, at least in partial payment. As a result, the USSR this year is supplying more than one fourth of the petroleum consumed in Uruguay. As Uruguay is reluctant to continue this barter trade, the USSR has offered to buy \$25,000,000 worth of wool in 1960--almost twice its purchases this year. Moscow insists, however, that Montevideo accept oil for at least two thirds of the wool. To make the deal attractive, Moscow proposes to pay cash for the wool and to permit Montevideo to pay for the oil over a 9- to 12-month period.

Cuba

Bloc trade with Cuba has consisted almost entirely of Soviet sugar purchases, which have ranged from 200,000 to 500,000 tons annually in the past few years. Orders have usually been placed following shortfalls of Soviet beet-sugar crops. Soviet purchases in late 1959, totaling 500,000 tons for delivery in 1959-60, were timed

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to take advantage of low world prices and bolster the Cuban sugar market. Since Soviet beet-sugar production fell far short of plan goals this year, additional orders probably will be placed in 1960.

area within the past year have announced that economic assistance is available. More specific aid offers have been made to Bolivia, Uruguay, and Mexico. The USSR indicated in mid-1959 that it would consider an application for \$60,000,000 worth of credits to assist oil development in Bolivia. No advanced negotiations are known to have taken place, however. Soviet willingness to provide major long-term aid following natural disasters in Uruguay was indicated in quasi-official approaches earlier this year.

The USSR has carefully avoided, however, identifying its economic activities as direct support for the Castro regime, which is increasingly unpopular among Latin American leaders.

Cuba has accepted Moscow's offer to present its exhibition in any Latin American country following its stay in Mexico City. The exhibit is now scheduled to open in Havana about February.

Satellite missions have visited or are planning to visit Cuba to try to capitalize on anti-Western sentiment and establish trade relations. Czechoslovakia has already established a permanent trade representative in Havana.

Others

Eastern Europe accounts for nearly all of the negligible bloc trade with other Latin American countries. This amounted in 1958 to about \$10,000,000, mostly exports from Czechoslovakia.

Official bloc visitors in Latin America frequently propose expanded economic contacts, and Soviet delegates to international conferences in the

More recently, during his visit to Mexico, Mikoyan discussed extension of a standard Soviet \$100,000,000 economic development credit. To avoid possible outright rejection by Mexican officials, who are under no economic or political pressure to accept Soviet assistance, Mikoyan apparently did not press his proposal.

On the whole, the bloc is probably encouraged by the Latin American response to its trade promotion program. A Colombian trade delegation renewed trade pacts with several bloc countries during a trip to Europe earlier this year. On the heels of the departure of the official Brazilian trade mission to Moscow, Santiago announced that an unofficial Chilean delegation would leave on 4 January to investigate trade possibilities in Moscow, Prague, and Warsaw.

Small but attractive trade deals presumably will be offered to entice wider acceptance of the bloc--first economically, then politically--in countries where economic problems are forcing governments to consider any proposal which holds promise of promoting economic expansion.

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BUSINESS ADAPTATION TO THE EUROPEAN COMMON MARKET

The European Economic Community (EEC or Common Market)--although still in the initial stages of its development--is already beginning to have a profound impact on the economic life of Western Europe. Even in advance of major changes in the volume and patterns of intra-European trade, the effects of the EEC are particularly evident in the widespread preparations for a growing market, in the trend toward rationalization and concentration of industry, and in the sharp upsurge of foreign investments. These developments may be the most important consequence of the organization to date, and while certain to give rise to many problems, are the primary basis for the hope that achievement of the economic objectives of the Common Market can be speeded.

Economic and Trade Trends

Economic activity in the six EEC countries is expected

to show a substantial gain in 1959 as it has in the other countries of Western Europe. Year-end data are not yet available, but by last June the index of community industrial production was 6.4 percent above the corresponding period of 1958, and expansion has continued in recent months. In the same period, intracommunity trade increased by 16 percent and exports to the outside world by 11 percent. EEC imports from nonmember countries tended to lag in the early part of 1959, but community officials predict a marked increase as production expands.

The EEC's 10-percent tariff reduction and 20-percent quota enlargement of last January--extended generally to other free world countries--probably were not directly responsible for this general recovery or for the modest shift toward expanded intracommunity trade. Indirectly and psychologically, however, these moves were of considerable significance. They helped, for example, in persuading the French Government of the need for its highly successful fiscal and economic reforms of the past year, and, within the ECC as a whole, they demonstrated the problems the national business communities face in adapting to a regional market.

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Business Response

European businessmen appear to be making a vigorous response to this challenge. The search for market outlets which had already begun in 1958 has

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developed during the past year into a "mass mutual invasion." According to the French consul general in Duesseldorf, for example, much of his work now is concerned with assisting French businessmen to establish sales facilities in the Ruhr, and German salesmen are similarly invading France. There are numerous other reports of arrangements for joint selling, of preparations for the marketing of a range of community products, and of distributors' showing a preference for handling EEC items exclusively.

This trend toward the development of a regional market is being supported by an array of commercial organizations. Out of initial business contacts which developed while the Common Market was still in the discussion state have emerged a number of trade associations, the most important of which is

the EEC-wide Committee of Commercial Organizations of the Common Market Countries, with headquarters in Paris. There is also a Union of Wholesale and Export Traders located at The Hague, and by mid-1959 some 40 other associations had been formed by the various branches of trade.

Industrial Reorganization

Parallel to this activity in the commercial field, there has been a decided trend in the past two years toward a general regrouping of business enterprises. By last April, more than 60 consolidations, mergers, or other combinations within the individual EEC countries had been recorded. Many of these have been officially encouraged to advance the specialization of production, pooling of facilities, or sharing of technical information.

EXAMPLES OF INDUSTRY COLLABORATION, RATIONALIZATION, AND CONCENTRATION IN THE EUROPEAN ECONOMIC COMMUNITY**Community-wide Industry or Trade Associations**

Union of Industries of the European Community (at Brussels)
 Liaison Committee of the European Metal Industries (at Paris)
 Study Committee of the Coal Producers of Western Europe (at Brussels)
 International Association of the Federation of Shoemakers (at Paris)
 Liaison Committee of the Automobile Industry of the EEC (at Frankfurt)

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Intra-EEC Agreements

Renault/Alfa-Romeo (Automobile sales and manufacture--France-Italy)
 Alfa-Romeo/N.S.U. Werke A.G. (Automobile sales and assembly--Italy - West Germany)
 Badische Anilin und Sodaefabrik/Kuhmann (Synthetics--West Germany - France)
 Montecatini/Pechiney/Societe Normande de Matieres Plastiques (Agreement on patent licensing in plastics industry--Italy-France)
 European Syndicate for Research and Finance (Organized by large banks of several EEC countries)

Agreements between EEC and Non-EEC Firms or Investments by Non-EEC Firms

Titanium Metals Corporation of America/Deutsche Edelstahlwerke A.G. (Agreement to set up Luxembourg company to distribute US products-- US - West Germany)
 Society for the South European Pipeline (Association of 19 oil companies to build Mediterranean-Rhine pipeline)
 Project by Baker Platinum of Canada to build industrial center near Rome
 Siemens Schuckert and Siemens Halske/Encolux (Two Austrian-nationalized industries owning 40 percent of Luxembourg's manufacture of wire and cables)
 B.F. Goodrich/A.K.U. (Joint synthetic rubber factory, Netherlands)

Concentrations and Agreements on the National Level

Daimler Benz/Auto Union (West Germany)
 Society for the Promotion of Synthetic Textiles (Belgium)
 France-Itines (Sales association for producers of mining equipment--France)
 Sphinx/S.A. Ceramique de Maastricht (Grouping of pottery producers--Netherlands)
 Eurafrican Company for the Financing of Pipelines (Financing company of four large French banks)

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Similar objectives have also been claimed for the numerous other agreements which cut across national frontiers and which have been particularly prevalent among the automobile, electronics, chemical, and aviation industries. Additional agreements of this type will probably be encouraged by the existence of a blanket organization of EEC industries (the Union of Industries of the European Community, with headquarters at Brussels) and by the tendency toward extensive cooperation among banking and financial circles.

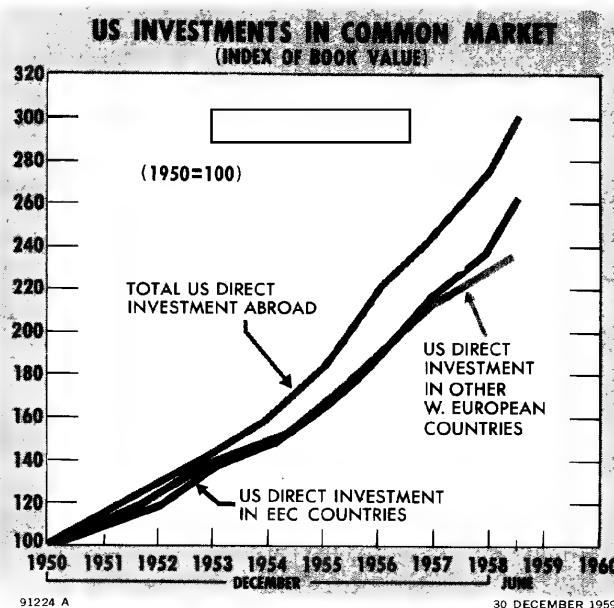
Various EEC banks have established close working ties, and interest in investing in "European" shares has resulted both in the listing of foreign shares on national stock exchanges and in the founding of a number of European investment funds.

The Foreign Response

Increasing activity by foreign firms --especially American--has been one of the natural consequences of the first steps toward a regional market. Anticipating a substantial economic growth in the EEC and fearing exclusion from it as the external tariff gradually becomes effective, foreign firms are attempting to improve their sales organizations, to consolidate existing plants in the EEC area, to negotiate licensing arrangements with Continental manufacturers, and to establish assembly or production facilities.

The attractiveness of the various inducements offered by the EEC countries--low initial costs, relatively cheap labor,

and tax rebates--is reflected in the inflow of American investments, especially since January 1959, when the EEC became effective. Total private American investment in the Common Market countries (\$1.9 billion in June 1959) is still smaller than in the United Kingdom alone (\$2.6 billion), but the EEC's share of US capital exports is increasing faster than that of all other foreign areas. These investments are being made in a wide range of manufacturing, processing, and



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merchandising industries, and there is a distinct trend toward the establishment of subsidiaries owned entirely by American interests.

Some Negative Factors

There are, of course, a number of flaws which detract from the impressiveness of this over-all response. Thus far, the larger enterprises are participating most in the rationalization process, and it remains to be seen whether the smaller and more backward companies will

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be lured by the prospects of increased profits from a larger turnover. The formidable industrial and commercial organizations which have been formed, moreover, are yet to be matched by an equally powerful organization of labor. There is a regional organization in Brussels of the non-Communist unions of the EEC, but European labor is still a long way from industry-wide bargaining across national frontiers.

Similar reservations also arise in the external sphere. Gearing themselves to a Continental market, the EEC industries are tending to deepen the cleavage between the Common Market and the rest of Europe. Proponents in the UK of a larger free-trade association have long feared that the split between the EEC and the European Free Trade Area at the official level will soon be consolidated at the business level as well. The concern of British businessmen that a disproportionate share of American investments would be attracted to the EEC was a factor in London's desire to speed the EFTA to an early agreement.

The Cartel Problem

The danger that the EEC will become the framework for a "gigantic cartel" has occasioned the most serious reservations. The associations now being formed will be formidable, not only in their relations with labor, but also in their relationship to the institutions that are supposed to control them. Moreover, while the rationalization of industry now in process is the necessary consequence of the opening of the Common Market and essential to the full realization of its benefits, there is little doubt that agreements have already been made with the intent of minimizing the competition the EEC was designed to inspire. As of now, the machinery to deal with this threat is woefully weak. When the EEC treaty

came into effect, some of the member countries had no anti-cartel legislation, and only under pressure of the Common Market have they moved to remedy the situation. The EEC treaty contains articles voiding all agreements intended to impair trade between the member countries or to restrict competition, and the EEC Commission has declared these provisions to be in full effect. Implementing decrees, however, are still to be issued, and there is no enforcement machinery.

Some Broader Implications

Despite these negative considerations, the first two years of the Common Market have seen remarkable progress--at least in the economic field. The first tariff and quota changes were accepted by industry without serious cavil; the 1 January 1960 quota enlargement and the tariff reduction next July have provoked no alarm; and the industry association is on record in favor of accelerating the future tariff and quota changes. Since European businessmen provided some of the strongest initial opposition to the Common Market, this is an encouraging reversal in European thought.

By acquiring a vested interest in the Common Market, European industry is strengthening the project and establishing the essential base for a fully integrated economy. This will be an important contribution to the continued economic growth without which the EEC could not survive, and it will make more feasible the difficult steps an integrated economy will ultimately require--the coordination of national economic and fiscal policies, the pooling of monetary reserves, and the eventual institution of a European currency. The ardent "pro-Europeans" have always believed that, once such measures have been taken, only a European political authority can make them work.

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IRAQI POLITICAL PARTIES

While Iraq's political parties have been covertly active since the 1958 revolution, their legal existence and activities have been proscribed. On the first anniversary of the revolution, last July, Prime Minister Qasim promised that a transition back to "normal" political life would begin on 6 January 1960. Since the announcement, Iraqi politicians have been engaged in strengthening their positions in anticipation of the resumption of overt party activities and elections for a National Assembly to be held sometime before 14 July 1960.

Like other political parties in the Arab world, Iraqi parties have only a comparatively small number of actual members. The leaders are supported by followers whose adherence to the party is extremely transitory, varying with the apparent influence of the party within the country's power structure.

Of the nearly a dozen political groups existing in a suppressed condition prior to 1958, only a few have assumed any importance since then.

Iraqi Communist Party

Heavily suppressed by the former royal regime, the Communist party has now grown to be in many ways the strongest party in Iraq. It is the best organized and disciplined, and exercises great influence through its control over a number of front organizations

Party members
may number as high as 5,000,

excluding the "14th of July Communists" who jumped on the Communist bandwagon following the revolution. The party probably has two members in the present cabinet--Minister of Municipalities Nadia Dulaymi and Minister of Works and Housing Awni Yusuf--although they are not openly identified as Communists.

Only one member of the party's central committee has been definitely identified, but

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Secretary General Salim Adil, a has been publicly identified. Adil attended the last party congress in the USSR last February. There seems to be little question that the party is under direct or indirect control of Moscow

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The official party organ is Ittihad al-Shaab, edited by Bustani, which is backstopped by two journals--Sawt al-Ahrar and Sawt al-Shaab. The English-language Iraq Times has been reduced to the level of a party mouthpiece by intimidation.

Rumors of a split within the party have not been confirmed. It is possible, however, that certain Communist and pro-Communist elements led by Director of Oil Refinery Ibrahim and People's Court President Mahdawi will announce the formation of a new party, the People's party. Other Communist-front parties have been mentioned. In any case, it is likely that these groupings would form a

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united front for the elections.

National Democratic Party

The National Democratic party (NDP) was founded in 1946 under middle-class leadership, and its political philosophy is somewhat comparable to that of the British Labor party. Two of its present leaders--Finance Minister Muhammad Hadid and Foreign Minister Hashim Jawad--were pupils of Harold Laski, late left-wing intellectual leader of the British Labor party. The influence of Kamil Chadirchi, the titular head of the NDP, has waned considerably.

Although NDP membership is estimated to be about 1,000, its influence is much greater than its size. Within the past few months it has been building up its organization throughout Iraq and has concentrated on challenging the Communists' control of the Federation of Peasants Associations. The NDP has two official newspapers, Al-Ahali in Baghdad and another journal in Basra.

Of all Iraqi parties, the NDP seems at the moment to have the best chance of competing

successfully with the Communists. Hadid, Jawad, and a lawyer, Khaduri Khaduri, are providing the forceful leadership which the party has lacked until recently.

Baath (Renaissance) Party

The Baath is the ideological offspring of the Baath party in Syria but operates clandestinely. Pan-Arab and anti-Western in its sentiments, the Baath has been a special target of Qasim since its effort to bring about a union with the UAR a few months after the 1958 revolution.

Although its strength is in the neighborhood of 5,000, the Baath suffers from poor organization and discipline, governmental persecution, and minimal strength in the countryside. It has had no press outlet since its mouthpiece Al-Jumhuriya was closed in the fall of 1958. Most prominent Baathist leaders are either in exile in the UAR, in hiding, or in Iraqi jails.

The Baath, or an element of it, was behind the attempt on Qasim's life last October, and a number of its members are being tried for their

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complicity. Contact is maintained with the rightist Istiqlal party, as well as with UAR intelligence. It is smuggling arms to its supporters in Iraq. The party almost certainly will not be licensed to resume operations in January.

Istiqlal (Independence) Party

Strongly pan-Arab nationalist, but to the right of the Baath, the Istiqlal has been in eclipse since the failure of Rashid Ali to overthrow Qasim last December. The party is led by Sadiq Shanshal, inactive Sovereignty Council member Muhammad Mahdi Kubba, and recently arrested President of the Lawyer's Association Abd al-Razzaq Shahib. The Istiqlal numbers around 2,000 adherents, and has no official party paper, although Al-Fajr al-Jadid (The New Dawn) reflects party thinking.

It is very doubtful that the Istiqlal will be licensed, or that it will exert much influence on the Qasim regime under present conditions.

United Democratic Party of Kurdistan

The UDPK, the successor to the Kurdish National Liberation party, a group which sought an independent Kurdistan, ostensibly works for Kurdish autonomy within Iraq. However, its ultimate aim may be Kurdish independence. There is a party newspaper in Kurdish, Khabat, whose circulation is small and influence negligible. The party's present policy is one of absolute cooperation with Qasim, and little is known of its organization or strength. The party probably will be licensed.

Party Activity Since 1958

Immediately after the revolution there was an almost complete agreement among the political parties, including the Communists, as to the short-range goals of the Iraqi Republic--the eradication of all traces of direct Western influence in Iraqi affairs, and neutrality in the East-West conflict. However, inept attempts of Deputy Prime Minister Arif, backed by the Baathists, to effect an immediate union with the UAR quickly dispelled this agreement.

The Communists resorted to the time-tested tactic of working through a national front to weaken nationalist and anti-Communist elements, especially the Istiqlal and Baath parties, but excepting the National Democratic party. An ineffectual attempt to overthrow the regime in December 1958 assisted the Communists in discrediting the Baath and Istiqlal parties in Qasim's eyes.

On occasion the Istiqlal has shown some strength, particularly when the NDP has chosen to throw its support to the Istiqlal against the Communists.

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By early 1959 the Communists felt sufficiently strong to drop the national-front facade and to operate openly. They gained control of a number of associations, unions, and federations that were being formed and used them as fronts. A special target for Communist domination was the Popular Resistance Forces (PRF), a paramilitary organization utilized on occasion by the Communists to hunt down "enemies of the republic."

The Istiqlal and Baath parties offered little effective resistance to counter the Communist tactics, except to submit the resignations of their members in the cabinet. Qasim accepted these with alacrity, and the two parties were eliminated as effective forces within the Iraqi Government.

The NDP, which in the past had cooperated with the Communists against the royal regime, did not cross swords with the Communists during early 1959. The party was strengthened by the elimination of the Baath and Istiqlal parties from the cabinet. In its first brush with the Communists, the NDP was bested and lost a cabinet member, the minister of guidance.

Communist strength and influence reached their zenith following the revolt in Mosul in March 1959. A wave of Communist-inspired terror swept the country, and thousands of suspected Baath members, nationalists, and anti-Communists were imprisoned.

In early May, evidently believing that it had Qasim's backing and that it fully dominated the political scene, the Communist party began a campaign for actual participation in the cabinet and the resumption of political party activity. Qasim countered this demand with a May Day statement declaring that although Iraq was on the road to democratic rule, the time was not ripe for political parties.

The Communists challenged Qasim on the issue and continued their demands; they were partially met in the reorganization of the cabinet on 14 July by the inclusion of three party liners, including the first woman cabinet minister in the Arab world.

Meanwhile, the NDP outmaneuvered the Communists by announcing that it would heed Qasim's wishes and cease all political activities. This forced the Communists to backtrack on their demands, which they now referred to as "ultimate objectives." They also attempted to revive the national front, but they failed to secure the adherence of the NDP. During the late spring and early summer, stronger leadership asserted itself in the NDP, and a concerted effort was begun to build support among the peasants.

The greatest blow to Communist pretensions followed the Communist-inspired Kirkuk massacres in mid-July, when the PRF was disarmed and disbanded. This setback prompted the party's central committee to acknowledge its errors in tactics and mistakes in policy, particularly in deviating from the principles of collective leadership. The indictment pointed out the need for discipline, reorganization, and solidarity. Communist power was further reduced by a series of searches, seizures, and closing of Communist-front organizations, particularly in the provinces.

In mid-August, however, Qasim's strong backing of pro-Communist People's Court President Mahdawi's handling of the trials of those implicated in the Mosul affair dismayed almost all non-Communist Iraqis, and gave back to the Communists much of their lost prestige.

To counter Communist propaganda and to demonstrate that non-Communists as well as the Communists are capable of

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effective organization and have some government friends, the NDP staged a large parade in Baghdad on 18 December. Thousands of peasants paraded before Qasim for ten hours. Carried out despite strenuous Communist protests, the parade received government backing in the form of reduced rail fares for participants brought in from such distant towns as Mosul, Basra, and Kirkuk, and in widespread coverage by Radio Baghdad.

Prospects

Although the Communists remain the best organized and most aggressive political group

in the country, their forward surge seems to have been checked. The NDP is still the only political party in sight, however, which could compete with the Communists in the open political arena. To do this, the NDP needs at least to keep its influence in the state's machinery and to obtain a larger following among anti-Communist army elements. Should party strife become too obviously divisive after 6 January, Qasim may well push the idea of a non-party "movement" under his leadership harder than he has so far. The struggle between the Communists and anti-Communists would then focus on control of the apparatus of his movement.

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